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Q1 2024 Qualcomm Inc Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Qualcomm First Quarter Fiscal Year 2024 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded, January 31, 2024. Playback number for today's call is (877) 660-6853. International callers, please dial (201) 612-7415. The playback reservation number is 13743224.

I would now like to turn the call over to Mauricio Lopez-Hodoyan, Vice President of Investor Relations. Mauricio Lopez-Hodoyan, please go ahead.

Mauricio Lopez-Hodoyan QUALCOMM Incorporated - Vice President of Investor Relations

Thank you, and good afternoon, everyone. Today's call will include prepared remarks by Cristiano Amon and Akash Palkhiwala. In addition, Alex Rogers will join the question-and-answer session. You can access our earnings release and slide presentation that accompany this call on our Investor Relations website. In addition, this call is being webcast on qualcomm.com, and a replay will be available on our website later today.

During the call today, we will use non-GAAP financial measures as defined in Regulation G, and you can find the related reconciliations to GAAP on our website. We will also make forward-looking statements, including projections and estimates of future events, business or industry trends or business or financial results.

Actual events or results could differ materially from those projected in our forward-looking statements. Please refer to our SEC filings, including our most recent 10-K, which contain important factors that cause actual results to differ materially from the forward-looking statements.

And now to comments from Qualcomm's President and Chief Executive Officer, Cristiano Amon.

Cristiano Renno Amon QUALCOMM Incorporated - President and Chief Executive Officer

Thank you, Mauricio, and good afternoon, everyone. Thanks for joining us today. In fiscal Q1, we delivered non-GAAP revenues of \$9.9 billion and non-GAAP earnings per share of \$2.75 above the high end of our guidance. Revenues from our chipset business of \$8.4 billion reflect healthy Android demand and continued strong momentum in automotive. Licensing business revenues were \$1.5 billion. We're pleased with these results, and I will now share some key highlights from the business.

In handsets, the Snapdragon 8 Gen 3 mobile platform is setting a new standard for on-device gen AI experiences for premium smartphones and powers all through flagship Android devices launched and launching this fiscal year. Notably, the Snapdragon 8 Gen 3 mobile platform for Galaxy is featured in the recently announced Samsung Galaxy S24 Ultra globally, in addition to the Galaxy S24 and S24 Plus in multiple regions. The Galaxy S24 series includes on-device AI features such as live translate interpreter, chat assist,

nitography and more. This marks the beginning of how gen AI will evolve the overall smartphone experience and highlights the significant opportunity for Snapdragon platforms.

We're also announcing that we extended a multiyear agreement with Samsung relating to Snapdragon platforms for flagship Galaxy smartphone launches starting in 2024. The extended agreement demonstrates the value of Snapdragon 8, our technology leadership and our successful long-term strategic partnership with Samsung. In the quarter, we also announced the Snapdragon 7 Gen 3 mobile platform, which brings leading gen AI capabilities to high-tier Android smartphones and is a category leader in both experiences and performance.

In our QTL business, we're pleased to share that we recently extended several key license agreements. First, Apple exercised its unilateral option to extend its global patent license agreement for an additional 2 years, taking the existing agreement through to March 2027. Second, we have renewed long-term agreements with 2 significant Chinese smartphone OEMs. In addition, we continue to negotiate new agreements or renewals with other key licensees and OEMs, including some whose current agreements are set to expire in early fiscal 2025.

Automotive continues to be an important pillar of our growth and diversification strategy. Notably, 75 new models launched commercially in 2023 with our technologies, highlighting Qualcomm's growing scale in automotive and execution of our design wins. Earlier this month at CES, we announced our collaboration with Bosch to have our Snapdragon Ride Flex SoC power their new central vehicle computer. As a reminder, Snapdragon Ride Flex enables the fusion of infotainment in ADAS functionalities on a single SoC, enabling automakers to realize a unified central compute and software-defined vehicle architecture that scales across tiers.

Additionally, we demonstrated digital cockpits, connected services, and advanced driver assistance enabled by gen AI models running locally on the Snapdragon platform. This new capabilities can be enabled on a number of existing designs via a software upgrade. This represents significant new opportunities for Qualcomm and our partners.

In PCs, we're driving towards the launch of Snapdragon X Elite in mid-2024 and are pleased that our design win traction continues to increase since the platform was announced last October. We expect Snapdragon X Elite to set the industry benchmark for on-device gen AI and copilot experiences in addition to leading performance and battery life for next-generation Windows PCs.

We recently expanded our mixed reality solutions with the announcement of the Snapdragon XR2+ Gen 2. Our new platform supports 4.3K per eye resolution and 90 frames per second in 12 or more concurrent cameras to deliver crisp, immersive, mixed reality and virtual reality experiences. We are proud to partner with Samsung and Google to provide leading XR experiences to Galaxy users by utilizing Snapdragon XR2+ Gen 2.

In edge networking, we announced the Snapdragon X35 5G modern RF system, the world's first commercial Release 17 5G Red Cap solution. The Snapdragon X35 brings a new class of purpose-built 5G for Internet of Things devices. Devices powered by Snapdragon X35 are expected to launch by the first half of 2024.

We continue to believe that industrial edge devices with connectivity, high-performance computing and on-device AI will become one of our largest addressable opportunities fueled by the secular trends of digital transformation. As such, we're accelerating our investments in solutions, ecosystem and broad channel enablement to position ourselves for growth while we navigate the industry-wide inventory draw down.

One key area of focus is to enable our customers to unlock the potential of gen AI at the enterprise using our chipset solutions. As an example, Zebra Technologies and Toshiba recently demonstrated on-device gen AI capabilities for enterprise workflows and inventory management at retail self-checkout, respectively. Additionally, Honeywell showcased a Qualcomm-powered Edge AI box for warehouse applications.

As we complete the first quarter of fiscal '24 ahead of our expectations, I'm very optimistic about Qualcomm's trajectory and the opportunities ahead. The fundamentals of our growth drivers remain unchanged, our diversification strategy is working, and we're

making significant progress across mobile, automotive, computing, XR, edge networking, industrial IoT and more.

At the upcoming Mobile World Congress in Barcelona, we will provide an update on our cellular modem and connectivity leadership as well as on our overall scale of Snapdragon gen AI.

I would now like to turn the call over to Akash.

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Thank you, Cristiano, and good afternoon, everyone. I'll start with our first fiscal quarter earnings. We are pleased to announce strong non-GAAP results above the high end of guidance with revenues of \$9.9 billion and EPS of \$2.75. QTL revenues of \$1.5 billion and EBT margin of 74% were at the high end of guidance, reflecting slightly higher handset units.

QCT delivered revenues of \$8.4 billion and EBT margin of 31%, both above the high end of guidance, reflecting strength in handsets and automotive revenues. QCT EBT margin includes the benefit of revenue scale, stronger product mix and operating discipline. Handset revenues of \$6.7 billion were higher than our prior expectations primarily due to the increased demand driven by the acceleration of Android flagship launches with our Snapdragon 8 Gen 3 mobile platform.

Notably, our Android handset revenues from Chinese OEMs exceeded our expectations of greater than 35% sequential growth. IoT revenues of \$1.1 billion reflect the industry-wide challenges we've previously outlined.

We achieved record automotive revenues of \$598 million which grew by 12% sequentially, reflecting the increased content in new vehicle launches with our Snapdragon Digital Chassis platform. Non-GAAP operating expenses decreased 5% sequentially to \$2.1 billion and included the benefit of accelerated implementation of cost actions that we had previously outlined for the first half of fiscal '24.

Lastly, we returned \$1.7 billion to stockholders during the quarter, including \$784 million in stock repurchases and \$895 million in dividends.

Before turning to second fiscal quarter guidance, I'll update you on global 3G, 4G, 5G handset units. We estimate that global units declined by mid-single-digit percentage in calendar '23 relative to calendar '22, an improvement from our prior expectations due to the recent stabilization in demand. For calendar '24, we estimate that global handset units will be flat to slightly up on a year-over-year basis. This estimate includes expected growth of high single digit to low double-digit percentage in 5G handsets.

Turning to guidance for the second fiscal quarter. We are forecasting revenues of \$8.9 billion to \$9.7 billion and non-GAAP EPS of \$2.20 to \$2.40. The sequential decline in revenues and non-GAAP EPS relative to the first fiscal quarter will be driven by seasonality for a modem only handset customer in both QTL and QCT.

In QTL, we estimate revenues of \$1.2 billion to \$1.4 billion and EBT margins of 69% to 73%. In QCT, we expect revenues of \$7.6 billion to \$8.2 billion and EBT margins of 27% to 29%. For QCT handset revenues coming off strong performance in the first fiscal quarter, we anticipate Android revenues will be approximately flat quarter-over-quarter. On a sequential basis, we expect QCT IoT revenues to grow by mid- to high single-digit percentage with QCT automotive revenues slightly down, consistent with the trend in the prior year. Lastly, we expect non-GAAP operating expenses of approximately \$2.2 billion. This reflects typical calendar year resets for certain employee-related costs. In closing, we are very pleased to start our fiscal year with strong execution and financial performance.

In QTL, as Cristiano outlined, we are pleased to have extended several key license agreements. We do not expect any material change in QTL licensing revenue run rate as a result of these extensions. In QCT, our technology differentiation will accelerate with our on-device gen AI leadership and introduction of our custom Qualcomm Oryon CPU. We also remain well positioned to execute on our diversification strategy by extending our technology portfolio to deliver industry-leading products across automotive and IoT. This concludes our prepared remarks.

Back to you, Mauricio.

Mauricio Lopez-Hodoyan *QUALCOMM Incorporated - Vice President of Investor Relations*

Thank you, Akash. Operator, we are now ready for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from Samik Chatterjee with JPMorgan.

Samik Chatterjee *JPMorgan Chase & Co, Research Division - Analyst*

Congrats on the results here. Maybe if I can start with AI and particularly the launch of the Samsung S24. Now you have some incremental sort of experience in terms of devices launching in the market and the performance and consumer reception you're seeing to that.

So I know you outlined adoption of 3G, 4G, but any way of giving us some flavor of what you're thinking in terms of adoption of these AI devices or AI on edge in terms of the smartphone market? How similar or different will that curve look like relative to 5G adoption? And any insights from the sort of pipeline you're working on will be helpful for us. And I have a follow-up.

Cristiano Renno Amon *QUALCOMM Incorporated - President and Chief Executive Officer*

Thanks for the question. This is Cristiano. Look, it's early, but I think it's -- we're definitely excited about what we see in the beginning. It's not only unique to the Galaxy S24 that has a number of new use cases running gen AI on the device. I mentioned a few in my prepared remarks, like translation. And you have a much more effective assistance in a number of different applications. We're going to see productivity coming. But we'll also see that happening with some of our other customers from China launching a number of models.

So I think we have a large number now of models being ported into our hardware for gen AI. I think we're starting to see the beginning of new use cases. Reviews have been positive, and we are happy with we've seen the results following the launch. I think we need to monitor the situation. But eventually, at a minimum, is going to have a favorable impact on mix, which is a trend that we continue to see premium and high tier with more computing power. It is the fastest-growing segment in the handset market.

Samik Chatterjee *JPMorgan Chase & Co, Research Division - Analyst*

Yes. Okay. Got it. And maybe just as a follow-up, the -- and the Android OVX customers or the Chinese OEMs you work with, they exceeded your expectation in the fiscal first quarter. But as you're looking to the second quarter, you're guiding to a more flattish trajectory here. I know the industry has sort of been looking at inventory refill from those customers as well, driving some of the momentum.

So just wondering if you can give us an update in terms of what you're seeing from those customers. And if at all, Huawei and their reemerges in the market is starting to have an impact in terms of volume or market share for these customers as well in the context of your flat guide for them for quarter-over-quarter.

Akash Palkhiwala *QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer*

Sure. Samik, it's Akash. As we have said previously, as we entered fiscal '24, our view was that Android channel inventory had largely normalized. And so as we go through the year, we typically see normal bill bleed cycle around handset launches. So that's kind of the phase we are in from our perspective.

In the first quarter, what we saw was higher demand due to the acceleration of Android flagship launches with our new chip, Snapdragon 8 Gen 3. And we saw very strong demand across all the major Android OEMs. And so happy, of course, with that traction and that momentum carries over to the second quarter as well. And that's what you're seeing both in our results and our going forward.

In terms of your comment on Huawei, really what we've seen since Huawei 5G launch is that the premium tier TAM in China has expanded. And so we're continuing to see strong demand from our customers post that launch.

Operator

Our next question is from the line of Matt Ramsay with Cowen.

Matthew D. Ramsay TD Cowen, Research Division - MD & Senior Research Analyst

I guess for my first question, Cristiano, it was good to hear, I guess, the formal announcement of an extension with your partnership with Samsung. And you mentioned, I think, in your prepared script that it started with 2024 devices, but I assume it's longer than that.

So maybe you could give us a little context as to the links and any details you can share on the new agreement. You guys obviously have your new custom CPUs coming into the Snapdragon road map and some expanded NPU product as well. So we see kind of what the split is of share in the flagship at Samsung currently, but I'm just trying to understand a bit more about what this means for on a go-forward basis.

Cristiano Renno Amon QUALCOMM Incorporated - President and Chief Executive Officer

Thanks for the question, Matt. The agreement that we announced at this earnings call, it is a multiyear agreement. We're not disclosing the duration, but there are several years into that agreement. And I think your observation is correct. I think it starts in 2024. I think as you look at the launch of Galaxy S24 is a good proxy on how we should think about the agreement between us and Samsung.

But most important is the thing that you outlined. Our road map is getting stronger over time, especially with our custom CPU coming to mobile, and we're aiming to have the leadership position in the mobile performance on CPU. And our NPU continue to expand as we -- as I mentioned before, we're just at the beginning of the gen AI transition. I think in summary, we're very pleased with our relationship with Samsung, and it's a very long-term relationship with this customer.

Matthew D. Ramsay TD Cowen, Research Division - MD & Senior Research Analyst

Got it. I guess my follow-up question is one for Akash. First of all, Akash, congratulations on the new COO hat. Well done. But my question is around margins. And I noticed that even with the IoT business down dramatically, there was some improvement in sequential gross margin in the quarter and back above 30% in QCT operating margins.

So maybe you could discuss some of the moving parts with margins in the business because it was a -- I'm -- pleasantly a bit better than I had modeled, and I kind of want to see what might be sustainable or what actions you took on a go-forward basis on both the gross and the operating side.

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Thank you, Matt, and thanks for the well wishes. I'm looking forward in this new role to working with Cristiano and the executive team to kind of deliver on our long-term priorities. And of course, I'll continue to remain committed to my CFO role, working closely with the team here and maintaining consistency and transparency and looking forward to seeing a lot of you at upcoming events.

On the margin side, what you saw in the first quarter is really the fact that our gross margins were stronger because the mix was richer. We had a higher set of premium tier launches coming through and that impacted our volume, and we benefited from that mix -- richer mix.

And if you look at our second quarter guide, we are guiding largely in line with how our first quarter came in. So that was obviously great to see. From an operating margin perspective, it's -- in addition to the strength in the gross margins, obviously, the revenue scale and the actions we took on the OpEx also benefited. And so we were happy to -- extremely happy to deliver 31% operating margin in QCT and really focused on delivering to the long-term target we've outlined to the investors.

Operator

Our next question is from the line of Mike Walkley with Canaccord Genuity.

Thomas Michael Walkley Canaccord Genuity Corp., Research Division - MD & Senior Equity Analyst

Congrats on extending some of the licensing deals. I guess, just want to jump a little bit into the IoT business, the 3 segments. I assume, consumer is still weaker. But can you update us kind of how the inventory bleed is trending for the 3 business within IoT? And then within that question, too, just on the recovery of IoT, can you share with us the X Elite ramp and how material this might become for IoT, say, in the next 1 to 2 years?

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Maybe I'll address the first part and then Cristiano can talk through the X Elite question. From an IoT inventory perspective, what we have seen is stabilization really on the consumer side. As you know, we were one of the first to call out the weakness in IoT, and now we're seeing it go through both on the industrial and the edge networking side. And consistent with our previous comments, we think the first quarter was the bottom for our IoT revenue stream. We're guiding second quarter up mid- to high single digits. Second half of the year -- fiscal year, as we see the inventory channel kind of normalizing and end markets kind of benefiting from that, we're excited about what our product portfolio can bring. And overall, lots of opportunities for us there. So over -- in my mind, there's significant uncertainty, but we are cautiously optimistic, and I think we have a great product portfolio as we look forward.

Cristiano Renno Amon QUALCOMM Incorporated - President and Chief Executive Officer

Look, your question about X Elite in PC. It's too early. We're tracking to the launch of products with this chipset tied with the next version of Microsoft Windows that has a lot of the Windows AI capabilities. We're still maintaining the same date, which is driven by Windows, which is mid-2024, getting ready for back-to-school. What we're excited about it is since we announced that at Tech Summit showing the performance of the product and the AI capabilities, design traction continue to increase. So we had increased the number of designs since last quarter. and we continue to march forward towards the launch. We like that everybody is now talking about on-device AI on PC. That's where we started this journey with X Elite. And I think that proved to be a tailwind to the opportunity for us in PCs.

Thomas Michael Walkley Canaccord Genuity Corp., Research Division - MD & Senior Equity Analyst

Great. And maybe, Cristiano, just a quick follow-on question. Just on the auto business, how should we think about the ramp of that business over the next 1 to 2 years? You've talked about a lot of design win activity and digital chassis ramping this year. But with ADAS coming into the model, how might that business ramp towards your target in 2026?

Cristiano Renno Amon QUALCOMM Incorporated - President and Chief Executive Officer

No, absolutely. Thank you for your question. Look, let me step back a little bit and say we're extremely pleased with our performance in auto, especially when you look at the overall market. Right now, you look at Qualcomm results with record revenues and very strong, I think, year-over-year growth. In 2023, in this year that just closed, we launched 75 models with our silicon with a significant improvement in silicon content as it relates to those immersive cockpit and in many cases, processing for safety. So we're very happy with the business. And I think the answer to your question is we are on track to meet our targets that we set on the Auto Investor Day of \$4 billion and \$9 billion, respectively, I think for '26 at the end of the decade. So we're on track for that. And the next quarter, we're going to give you an update on the design win pipeline that continues to grow.

Operator

Our next question comes from Stacy Rasgon with Bernstein Research.

Stacy Aaron Rasgon Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

So given that you've got Android, Android was pretty strong in December, and it's flat into March. How are you thinking about June seasonality given all these trends and moving pieces? I know it's usually down a bit for March, but I guess in the current environment, how are you thinking about June seasonality?

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Stacy, it's Akash. No change to the shape of the year comments that we made last time. Following second quarter, we do expect third quarter to be the lowest quarter. It's one of the quarters where we do not have any significant flagship launches. And as a result, you kind of see a decline in third quarter then growth back into the fourth quarter. And it's -- when you look at second to third quarter, we expect a trend consistent with the last 2 years.

First half, obviously benefited from this acceleration of launches for Android and pretty happy with that. And I think it sets us up as we look forward in terms of both content growth with our strong road map and just positioning overall in the handset market.

Stacy Aaron Rasgon *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*

Got it. And so my follow-up. I just want to ask about Huawei. Was Huawei still completely out of the model in December? And is it out of the model in the March guide?

Akash Palkhiwala *QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer*

Yes. So as we've said in the past, Stacy, we do have a 4G license to ship to Huawei. And so we've continued to ship based on customer demand. But as you're aware, they have launched a 5G device with their own chip, and that's, I think, their priority going forward.

Operator

Our next question is from the line of Chris Caso with Wolfe Research.

Christopher Caso *Wolfe Research, LLC - MD*

I guess just a question on QTL, and coming from your comments about the global handset market, it sounds like you're a little more optimistic on the 5G market on the year. QTL revenue has been kind of stuck in this range because of where handset units have been. Do you -- is -- I guess what's the outlook for QTL going forward in the context of what you're expecting for the handset market overall?

Akash Palkhiwala *QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer*

Yes. So as we outlined for our handset market, when you look at calendar '24, overall market, we expect it to be flat to slightly up. But within that, 5G, obviously, is our target market, especially for the chip business. We expect that to be high single digit to low double digit up on a year-over-year basis. Within QTL, I will stick with the guidance we have given before. We think there's a scale to the business that's aligned with the handset market and the 2 will move in line.

And then on the extensions of the license, I just wanted to make sure that I said this in my prepared remarks, but just to confirm. As a result of the extension, we do not expect any material change in our QCT licensing revenue run rate. So it's consistent with the program. In the QTL licensing revenue run rate, it's consistent with the program.

Christopher Caso *Wolfe Research, LLC - MD*

Great. That's helpful. As a follow-up. Cristiano, I wonder if you could speak to sort of the decision to reengage in custom cores with Oryon. And what outcome you expect to that? I mean, it sounds like that's been one of the reasons or one of the things behind the renewal of the Samsung agreement. What sort of change in the market, because Qualcomm did custom cores in the past? And what do you expect to get out of that in terms of market share and content and such?

Cristiano Renno Amon *QUALCOMM Incorporated - President and Chief Executive Officer*

Thank you, Chris, for your question. Look, it's consistent, I think, with the strategy we outlined, I think, following the acquisition of NUVIA. In the past, Qualcomm has been designing now its own custom cores. And I think the first instantiation of that was for PCs.

Actually, if you remember, in the past, that was the key motivation as we embark on this journey to create a leading SoC for laptops for the Windows ecosystem. We needed to have the performance leadership and we needed to design our own CPU to deliver the results that we did with X Elite. Now we're taking that across the entire road map. Your observation is correct.

As we take that into mobile next, we're seeing significant interest from our partners as it truly becomes a leadership position in the marketplace now across all cores, not only graphics and AI but also CPU. And we're not stopping there. Following smartphone, it's going to go into our automotive business, and we're excited about what the team has accomplished to date. Oryon is really well positioned to be the leading CPU core in the industry.

Operator

Next question comes from the line of Timothy Arcuri with UBS.

Timothy Michael Arcuri UBS Investment Bank, Research Division - MD and Head of Semiconductors & Semiconductor Equipment

Can you talk about restocking in China? It looks like the China Android, obviously, was up a ton and it's being guided flat. Your peer was a bit cautious on this. Can you talk -- do you think you're shipping that to consumption? And do you think you're going to ship to consumption through the rest of the year? And then I had another question.

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Yes. Tim, consistent with what I said earlier in the call. I think we were kind of at -- largely at normalized inventory for Android entering the fiscal year. What you saw in the December quarter, at least for us, to a large extent, was a build for the various premium tier launches that happened during the period. And so we do expect normal bill bleed cycles through the year as devices launch. But that's kind of the framework with which we are operating going forward.

Timothy Michael Arcuri UBS Investment Bank, Research Division - MD and Head of Semiconductors & Semiconductor Equipment

Got it. And then now that you have the modem for longer for this one flagship customer, one can envision a scenario where maybe you can leverage that into some new RF content that you have not had in the past. Is this a scenario? I mean, it seems like it could add \$1 billion maybe. I mean you were sort of running to \$4 billion a year in your RFFE business prior to stopping to tell us what that is. So it seems like that is something you could potentially leverage the reliance on your modem business.

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Yes. Tim, I'd say that's a conversation, obviously, that we will talk to the customer about. It's a part of our portfolio, and we'll make it available if they're interested.

Operator

Our next question is from the line of Ross Seymore with Deutsche Bank.

Ross Clark Seymore Deutsche Bank AG, Research Division - MD & Semiconductor Analyst

A couple of questions and, Akash, congrats on the COO role. The first one is on the OpEx side of things. You guys did a great job in the calendar fourth quarter and you gave the guidance for the fiscal first -- or fiscal second quarter. How should we think about that for the remainder of the year, given your commentary on kind of doubling down on some of the opportunistic investments to diversify the company, new cores, et cetera?

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Yes, Ross, thank you very much. From an OpEx perspective, really, the way we think about it is any hiring that we do we'll be very selective and focused on really acquiring new skills that are required for diversification. But other than that, we've gone through a reduction recently. We think we're at scale to a large extent, and we're committed to operating discipline.

Ross Clark Seymore Deutsche Bank AG, Research Division - MD & Semiconductor Analyst

Great. And I guess for my follow-up. I noticed in the 10-Q, you had a new 10% customer, I think it was a 14% customer. I don't expect you to name who that is. But is that a reflection of the strong China demand that you talked about in the continuation of good future growth opportunities? Or was there any onetime aspect of that customer, whoever it may be, popping up in the quarter?

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

I think the way you framed it in your first theory is a reasonable way of thinking about it.

Operator

Our next question is coming from the line of Tom O'Malley with Barclays.

Thomas James O'Malley Barclays Bank PLC, Research Division - Research Analyst

Just passing on my congratulations to Akash as well. I just wanted to ask on the ASP side for Android. You're obviously kind of characterizing a market that's flattish into March, kind of the bottom in June and then improving from there. But you benefited from some good mix in the beginning of the fiscal year here. Could you talk about what you would expect from a mix perspective as you go to

the back half? Would you see the same kind of strength on the ASP side that you've kind of seen over the past year? That would be really helpful to understand.

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Yes. So if you think about premium flagship launches for our OEMs, a lot of the launches happen in the holiday time frame just before the holidays, going into Chinese New Year as well. And so you've seen a lot of those happen. We do have some significant launches through the middle of the year, but obviously, the next big launch goes into the holiday season, starting with Apple and then going into the Android launches. So that's the typical cadence.

Now when -- just to confirm, that's just the premium tier we are talking about. Of course, there are other tiers and including the high tier, where we have very significant presence and that does drive a significant portion of our -- the launches that happened through the year and also our revenue base.

Thomas James O'Malley Barclays Bank PLC, Research Division - Research Analyst

Helpful. And then just on the auto business. You've clearly seen some weaker data points just out of the ecosystem. Can you explain why your auto business may not be levered to some of like the ADAS areas where you've seen a particular weakness of late? And like when do those ADAS and wins start layering on? Is that more of like a '25 story for you guys or '26? Just can you talk about the pipeline and when you see those more advanced wins kind of layering into the revenue stream?

Cristiano Renno Amon QUALCOMM Incorporated - President and Chief Executive Officer

This is Cristiano. Look, the automotive story of Qualcomm is primarily driven by share gains as models with our silicon, part of our pipeline started to materialize into revenue. And the way you should think about it, historically, a lot of the revenue was telematics. Now you see the largest component being a lot of the fully immersive digital cockpits on the car.

And we already have some revenue from ADAS processing. You see a lot of cars, for example, in China with both ADAS and autonomy with our processor. You see some of our customers in the United States with our processor. And I think that continues to grow. As we get towards our 2026 revenue target, you're probably going to see very healthy components of all of those elements.

Operator

Our final question is from the line of Tal Liani with Bank of America.

Tal Liani BofA Securities, Research Division - MD, Head of Technology Supersector & Senior Analyst

I have 2 follow-ups on answers or questions you had before. The first one is Samsung. On one hand, there is a new contract. On the other hand, Samsung is going to use their own more in '24 versus '23. So net-net, are you expecting revenues of Samsung to go up or down in '24 versus '23? What are your expectations of share losses within -- can you frame it for us?

And the second question is on the auto business. You had a phenomenal quarter. It's very different from the other auto companies. Most other auto Companies had weakness. What is the strength related to? Meaning is it share gain with certain customers? Is it new product? Or can you just put some color on the strength, the relative strength, versus the others?

Akash Palkhiwala QUALCOMM Incorporated - Chief Financial Officer & Chief Operating Officer

Yes, Tal, it's Akash. So on this -- on Samsung and this is a conversation about the premium tier, I assume. In GS23, we did have global share. In the GS24 that just launched and consistent with what we said on the last quarter, we expect to have a majority share based on the model split between us and Exynos. As Cristiano indicated in his prepared remarks, one of the benefits of the agreement that we did with them is it gives us predictability on our position within the premium tier going forward. And then from a content perspective, there's clearly content expansion happening. And this is really when you look at our premium tier road map, not just with gen AI coming in, our custom CPU cores coming in as well, but then also across other technologies. As consumers demand more capability, we see our content and our ASP both continue to grow.

Switching over to your second question on automotive. You should really think -- the way to think about our automotive business is we're

tied to the launch of new cars. Clearly, the industry is going through a transformation, digitization of cars, and we are right at the intersection of that transformation. We are benefiting as cars put in more infotainment content for experience within the car. More ADAS content comes into the car as well.

And really, we get to benefit from all those intersection points in the car, and we're increasing the content as new cars launch. So that's the maybe a disconnect between some of our peers, what they're seeing and what we're seeing. Stepping back, I mean, clearly, this is an industry that's going through some shorter-term dynamics, so we'll be closely monitoring it. But when you step back, our technology, our position, our products look really good, and we're excited about where we're going.

Operator

That concludes today's question-and-answer session. Mr. Amon, do you have anything further to add before adjourning the call?

Cristiano Renno Amon QUALCOMM Incorporated - President and Chief Executive Officer

Yes. Just in closing, I'd just like to remind everyone, look, we're -- as I said, we're happy with the quarter. We see the android market stabilizing after we've been to '23. That was a year of correction. We like the transition of user experience with gen AI. That could create an opportunity in mobile. This is one of those times for Qualcomm. They are both our Apple and Samsung revenue on the chip side or under contract. We're very happy about that.

We continue to move towards stability of the QTL revenue stream with those new agreements. As you look at the growth opportunity, I think the auto results speak for itself. We're now in the IoT segment, really focus on the launch of X Elite. In the PC, we announced a new product for XR. And if you believe that, that market is finally going to get very large scale, we're well positioned with our partnership with Meta as well as Samsung and Google. And as IoT, especially industrial goes to the correction, we expect that to resume growth.

So we're focused on what we can control, busy at work with the growth and diversification of the company. And I want to say a big thank you for all of our partners and employees that helped us get to this quarter. Thank you very much, and I'll talk to you all next quarter.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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